

**INFORMATION FOR USE IN DETERMINING
WHETHER TO CONTINUE DESIGNATION
OF CERTAIN VINYL FLOOR TILE
AS ARTICLES ELIGIBLE FOR
DUTY-FREE TREATMENT
UNDER THE GENERALIZED
SYSTEM OF PREFERENCES**

ORIGINAL

COMPLETED

23

Report to the President on
Investigation No. 332-148
Under Section 332(g)
of the Tariff Act of 1930

USITC PUBLICATION 1355

JANUARY 1983

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

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Kenneth R. Mason, Secretary to the Commission

Prepared principally by

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Washington, D.C. 20436

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Note.--The whole of the Commission's report to the President may not be made public since it contains certain information that has been classified by the United States Trade Representative or would result in the disclosure of the operations of individual concerns. This published report is the same as the report to the President, except that the above-mentioned information has been omitted. Such omissions are indicated by asterisks.

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INTRODUCTION

On November 5, 1982, in accordance with the provisions of section 332(g) of the Tariff Act of 1930 and pursuant to the authority of the President delegated to the United States Trade Representative (USTR) by Executive Order 11846, as amended by Executive Order 11947, the USTR requested advice as to the probable economic effect on U.S. industries producing like or directly competitive articles and on consumers, of the continuance of the GSP duty-free treatment for vinyl floor tile from Taiwan. 1/

In response to the USTR request, the Commission on November 17, 1982, instituted investigation No. 332-148 for the purpose of obtaining, to the extent practicable, information for use in connection with the preparation of advice requested by the USTR. The Commission notice of investigation and hearing is contained in appendix B. 2/

A public hearing in connection with the investigation was held in the Commission Hearing Room, 701 E Street NW., Washington, D.C. 20436, on December 14, 1982. All interested parties were afforded an opportunity to appear by counsel or in person, to produce evidence, and to be heard. A transcript of the hearing and copies of briefs submitted by interested parties in connection with the investigation are attached. 3/

1/ The USTR request is contained in app. A.

2/ The following Federal Register notice has been issued related to investigation No. 332-148:

<u>Date</u>	<u>Agency</u>	<u>Notice</u>	<u>Subject</u>
November 24, 1982	USITC	47 F.R. 53144	Initial notice.

3/ A list of witnesses appearing at the Commission hearing are contained in app. C.

PRESENTATION OF PROBABLE EFFECTS ADVICE

In response to the USTR request for probable effects advice, the Commission determined that an appropriate format for such an analysis would be a commodity digest dealing with the effect of a tariff modification on vinyl floor tile from Taiwan.

The digest provides an analysis of the impact of the possible tariff modification on the level of U.S. imports, the U.S. industry, and the consumer. The probable effect advice is provided in both a textual and code format. The probable effect code provides the reader with a quick summary of the probable effect on the level of U.S. imports, the U.S. industry, and the consumer as follows:

1. Level of U.S. imports

Code A: nil or negligible increase (0-5 percent),
Code B: modest increase (6-15 percent),
Code C: significant increase (16-25 percent),
Code D: substantial increase (over 25 percent).

2. U.S. industry

Code A: nil or negligible adverse impact,
Code B: significant adverse impact (significant proportion of workers unemployed; declines in output; some firms closed, but adverse impact not industrywide),
Code C: substantial adverse impact (substantial unemployment; widespread idling of productive facilities; adverse impact on the industry as a whole).

3. U.S. consumer

Code A: Duty savings are expected to be absorbed by the foreign supplier and/or importer and will not likely benefit the industrial/intermediate consumer or the consuming public.
Code B: Duty savings will likely benefit the industrial/intermediate consumer, but the consuming public is not expected to benefit from the duty savings (which are expected to be absorbed in the trade).
Code C: Duty savings will likely benefit both the industrial/intermediate consumer and the consuming public (which are expected to benefit by lower prices, slower rises in prices and/or greater availability of the ultimate products).

TITLE: Vinyl tile

I. TSUS(A) item number; description; tariff rate information; U.S. imports in 1981

TSUSA item No.	Description	Pre-MTN col. 1 rate of duty	Staged col. 1 rates of duty effective with respect to articles entered on or after Jan. 1 1/									Col. 2 rate of duty	Imports
			1980	1981	1982	1983	1984	1985	1986	1987			
728.2530	Vinyl tile-----	8.5%	8.1%	2/	7.7%	7.3%	6.9%	6.5%	6.1%	5.7%	5.3%	40%	12,330

1/ The symbol % represents percent ad valorem.

2/ Effective July 1, 1980.

II. COMMENT

Description and uses

This digest covers vinyl tile, including vinyl composition tile. Imports of such tile are entered under item 728.2530 of the Tariff Schedules of the United States Annotated (TSUSA). 1/

Vinyl tile is composed of vinyl resins, plasticizers, resin binders, and color pigment. Some vinyl tile surfaces may be a combination of clear, translucent, and opaque effects, with or without metallic accents. Vinyl composition tile is composed of binder, mineral fillers, and pigments. The binder consists of one or more resins of polyvinyl chloride or vinyl chloride copolymers, compounded with plasticizers and stabilizers. Both vinyl tile and vinyl composition tile find their principal use in the home--in children's rooms, kitchens, and bathrooms--as well as in commercial and business establishments. In addition to its higher price, tile used in commercial and business establishments is distinguished from residential tile usually by its thickness and its greater durability; commercial tile is usually 3/32" and 1/8" gage, whereas residential tile is 1/16" gage.

Industry sources indicate that domestic production is equally divided between commercial and residential tile. Virtually all imports consist of residential tile. Reportedly, there is little qualitative difference between the imported product and the domestic product with which it competes.

U.S. consumption, production and producers

For 1977 and 1978, sufficient data are not available to calculate domestic consumption of vinyl tile. However, the estimated value of domestic

1/ Vinyl asbestos tile (TSUSA item 728.2520) is not a subject of this digest.

consumption of vinyl tile amounted to about *** in 1979, *** in 1980, and *** in 1981, representing an *** (table A). Owing to the recession and to a decline in new construction, consumption in January-September 1982 amounted to an estimated *** down *** from the corresponding period of 1981. Imports accounted for about *** of the market in 1979, for *** in 1980, and *** in 1981. For January-September 1982, imports accounted for about * *** of domestic consumption.

The data in table A show that estimated producers' shipments of vinyl tile amounted to about *** in 1977, and *** annually thereafter to about *** in 1981, or by ***. Shipments in January-September 1982 *** were down *** from those in the corresponding period of 1981. 1/ As indicated above, annual producers' shipments were almost evenly divided between commercial and residential tile.

Currently, there are 6 domestic firms, operating 11 plants, producing vinyl tile. Plants are located in California, Texas, Alabama, Mississippi, Illinois, Pennsylvania, New York, and New Jersey. Although each firm produces other products, for four producers, vinyl tile accounts for the major portion of total output. Reportedly, eight plants that formerly produced vinyl tile ceased operations permanently during 1978-80.

Employment in the production of vinyl tile is estimated at about 1,600 employees in 1981, down about 21 percent from that in 1977.

1/ Confidential data on profit before taxes submitted to the Commission by the largest domestic producer of tile--***.

U.S. exports

Separate data on U.S. exports of vinyl tile are not available; however, such exports are believed to be small. Exports of vinyl plastic floor coverings other than vinyl asbestos tile and sheet vinyl flooring--a "basket" provision which includes the tile under investigation--ranged from \$1.7 million in 1979 to \$10.4 million in 1981. Principal markets in 1981 were Mexico (\$4.5 million) and Canada (\$2.1 million). Aggregated, these countries accounted for 64 percent of total exports under this provision in 1981.

U.S. imports

Data are not available on U.S. imports of vinyl tile for 1977 and 1978. During 1979-81, the volume of such imports rose annually from 10.6 million pounds to 24.0 million pounds--representing an increase of 126 percent. In January-September 1982, imports of 19.9 million pounds were 19 percent greater than in the corresponding period of 1981 (table B). In terms of value, imports also increased annually, rising from \$4.9 million in 1979 to \$12.3 million in 1981, or by 151 percent. During January-September of 1982, imports were 13 percent greater than in the corresponding period of 1981--\$9.5 million compared with \$8.4 million.

Taiwan was consistently the principal source of imports during the period, accounting for 70 percent (\$3.5 million) of the total value of imports in 1979; 68 percent (\$8.0 million) in 1980; 86 percent (\$10.6 million) in 1981; and 90 percent (\$8.5 million) in January-September 1982. Since 1979, more than 99 percent of the total value of imports from Taiwan entered duty free under the Generalized System of Preferences (GSP). As a percentage of domestic consumption, imports from Taiwan represented * * * in 1979; * * * in 1980; * * * in 1981; and * * * in January-September 1982. Imports

from developed countries--West Germany, Italy, and the United Kingdom--accounted for the bulk of the remaining imports. Virtually all imports, and all of those from Taiwan, consisted of residential vinyl tile.

Imports from Taiwan consist of residential tile that is concentrated in the lower quality and price segment of the domestic market. U.S. producers also sell to this end of the market; however, the imports from Taiwan undersell the U.S. product. For example, the following tabulation shows prices per square foot to wholesalers in 1982 by the largest U.S. producer and the principal importer of tile from Taiwan for popular selling residential tiles that are of comparable quality:

<u>Tile</u>	<u>Price per sq. ft.</u>	<u>Percentage difference, domestic from imported</u>
***-----	***	***
***-----	***	***
***-----	***	***
***-----	***	***

Even though imported tile from Taiwan * * * undersells comparable domestic tile, U.S. producers have maintained market leadership through strong brand name recognition and efficiencies in marketing and distribution.

Position of interested parties

Five of the six domestic vinyl tile producers have requested on an emergency basis, permanent removal of GSP treatment on vinyl floor tile from Taiwan. All five producers believe that the domestic industry has been seriously affected by increasing imports from Taiwan, and that immediate removal of GSP status for imports from Taiwan is imperative.

An importer of vinyl floor tile from Taiwan and Counsel for the Board of Foreign Trade of Taiwan, and the Vinyl Floor Tile Committee of Taiwan support continued GSP eligibility for vinyl floor tile from Taiwan. These representatives believe that GSP imports of vinyl tile from Taiwan have shown no surge or extreme fluctuation within the recent past and allege that as a percentage of total imports, imports from Taiwan have remained almost constant over the last 2 years. They further allege that quality and price differences have led to imports serving market segments largely distinct from those served by domestic production.

III. Probable Economic Effect of Continued GSP Eligibility for
Certain Vinyl Floor Tile from Taiwan

* * * * *

Table A.--Vinyl tile: U.S. producers' shipments, exports of domestic merchandise 1/, imports for consumption, and apparent consumption, 1977-81, January-September 1981, and January-September 1982

Period	Producers' shipments	Imports	Apparent consumption	Ratio of imports to consumption
	1,000 dollars			Percent
1977-----:	2/ *** :	3/	3/	3/
1978-----:	2/ *** :	3/	3/	3/
1979-----:	2/ *** :	4,914	4/ ***	***
1980-----:	2/ *** :	11,846	4/ ***	***
1981-----:	2/ *** :	12,330	4/ ***	***
January-September--:	:	:	:	
1981-----:	2/ *** :	8,352	4/ ***	***
1982-----:	2/ *** :	9,465	4/ ***	***

1/ Data are not available, but exports are believed to be small.

2/ Estimated by the staff of the U.S. International Trade Commission based on information from the largest domestic producer which reportedly accounts for about * * * of total annual producers' shipments.

3/ Not available.

4/ Data do not include exports, which are believed to be small.

Source: Compiled from official statistics of the U.S. Department of Commerce, except as noted.

Table B.--Vinyl tile: U.S. imports for consumption, by principal sources
1979-81, and January-September 1981, and January-September 1982 1/

Source	1979	1980	1981	January-September--	
				1981	1982
	Quantity (1,000 pounds)				
Taiwan-----	8,763	17,552	21,640	15,207	18,273
West Germany-----	1,232	3,455	1,586	879	406
Italy-----	82	256	478	428	778
United Kingdom-----	298	270	166	114	64
Hong Kong-----	100	17	36	-	72
Republic of Korea-----	10	-	36	36	17
Canada-----	3	25	12	-	98
Netherlands-----	-	1	2	2	-
All other-----	123	92	-	-	151
Total-----	10,611	21,668	23,956	16,667	19,859
Value (1,000 dollars)					
Taiwan-----	3,485	8,023	10,559	7,283	8,475
West Germany-----	1,020	3,383	1,192	644	357
Italy-----	17	84	327	277	407
United Kingdom-----	256	304	218	134	55
Hong Kong-----	47	6	17	-	38
Republic of Korea-----	5	-	9	9	11
Canada-----	3	16	4	-	49
Netherlands-----	-	1	4	4	-
All other-----	81	29	-	-	73
Total-----	4,914	11,846	12,330	8,352	9,465
Unit value (per pound)					
Taiwan-----	\$0.40	\$0.46	\$0.49	\$0.48	\$0.46
West Germany-----	.83	.98	.75	.73	.88
Italy-----	.21	.33	.68	.65	.52
United Kingdom-----	.86	1.13	1.31	1.18	.86
Hong Kong-----	.47	.35	.47	-	.53
Republic of Korea-----	.50	-	.25	.25	.65
Canada-----	1.00	.64	.33	-	.50
Netherlands-----	-	1.00	2.00	2.00	-
All other-----	.66	.32	-	-	.48
Total-----	.46	.55	.51	.50	.48

1/ Since 1979, more than 99 percent of the total value of imports from Taiwan entered duty free under the GSP.

Source: Compiled from official statistics of the U.S. Department of Commerce.

APPENDIX A

**UNITED STATES TRADE REPRESENTATIVE REQUEST OF NOVEMBER 5, 1982, FOR
PROBABLE ECONOMIC EFFECT ADVICE**

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THE UNITED STATES TRADE REPRESENTATIVE

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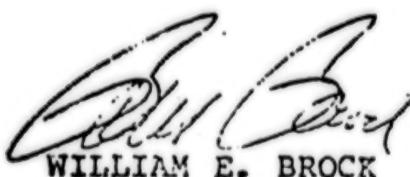
The Honorable Alfred E. Eckes, Jr.
Chairman
U.S. International Trade Commission
701 E Street, Northwest
Washington DC 20436

Dear Chairman Eckes:

Pursuant to the administrative rules governing the operation of the U.S. Generalized System of Preferences, the Trade Policy Staff Committee has accepted for immediate review a request by Armstrong World Industries to remove GSP duty-free treatment for vinyl floor tile from Taiwan provided for in item TSUSA 728.2530 of the Tariff Schedules of the United States Annotated. At the direction of the President, pursuant to section 332 (g) of the Tariff Act of 1930, I hereby request that the Commission advise the President as to the probable economic effect on United States industries producing like or directly competitive articles and on consumers, of the continuance of the GSP duty-free treatment for vinyl floor tile from Taiwan.

It would be greatly appreciated if this advice could be provided not later than January 15, 1983, in order to complete an expeditious review of the petitioner's request.

Very truly yours,


WILLIAM E. BROCK

BEST DOCUMENT AVAILABLE

APPENDIX B

**UNITED STATES INTERNATIONAL TRADE COMMISSION NOTICE
OF INVESTIGATION AND HEARING**

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

(332-148)

PROBABLE ECONOMIC EFFECT OF THE CONTINUED DESIGNATION OF CERTAIN
VINYL FLOOR TILE FROM TAIWAN AS ARTICLES ELIGIBLE FOR DUTY-FREE
TREATMENT UNDER THE GENERALIZED SYSTEM OF PREFERENCES

AGENCY: United States International Trade Commission

ACTION: In accordance with the provisions of section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)), the Commission has instituted investigation No. 332-148 for the purpose of obtaining information in order that it might advise the U.S. Trade Representative (USTR) as to the probable economic effect on the U.S. industry or industries producing like or directly competitive articles and on consumers of the continued designation of vinyl floor tile from Taiwan, provided for in item 728.2530 of the Tariff Schedules of the United States Annotated (TSUSA), as eligible for duty-free treatment under the Generalized System of Preferences (GSP), set forth in Title V of the Trade Act of 1974 (19 U.S.C. 2461).

EFFECTIVE DATE: November 17, 1982

FOR FURTHER INFORMATION CONTACT: Mrs. Doris Mebane, General Manufactures Division, Office of Industries (202-724-1730).

SUPPLEMENTARY INFORMATION: On November 5, 1982, the USTR announced that it had accepted for immediate review a request to remove GSP duty-free treatment for vinyl floor tile from Taiwan provided for in item TSUSA 728.2530 of the TSUSA.

Therefore, the USTR requested the Commission at the direction of the President pursuant to section 332(g) of the Tariff Act of 1930 to provide its advice, with respect to the articles identified above, as to the probable economic effect on the United States industry (or industries) producing like or directly competitive articles and on consumers of the continued designation of such articles as eligible for duty-free treatment under the GSP.

Public hearing

A public hearing in connection with the investigation will be held in the Commission Hearing Room, 701 E Street NW., Washington, D.C. 20436, beginning at 10:00 a.m., e.s.t., on December 14, 1982. All persons shall have the right to appear by counsel or in person, to present information, and to be heard. Requests to appear at the public hearing should be filed with the Secretary, United States International Trade Commission, 701 E Street NW., Washington, D.C. 20436, not later than noon, December 7, 1982.

Written submissions

In lieu of or in addition to appearances at the public hearing, interested persons are invited to submit written statements concerning the investigation. Commercial or financial information which a submitter desires the Commission to treat as confidential must be submitted on separate sheets of paper, each clearly marked "Confidential Business Information" at the top. All submissions requesting confidential treatment must conform with the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). All written submissions, except for confidential business information, will be made available for inspection by interested persons. To be ensured of consideration by the Commission, written statements should be received by the close of business on December 23, 1982. All submissions should be addressed to the Secretary at the Commission's office in Washington, D.C.

By order of the Commission.



Kenneth R. Mason
Secretary

Issued: November 19, 1982

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APPENDIX C

LIST OF WITNESSES APPEARING AT THE COMMISSION HEARING

TENTATIVE CALENDAR OF PUBLIC HEARING

Those listed below are scheduled to appear as witnesses at the United States International Trade Commission's hearing:

Subject : Probable Economic Effect of the Continued Designation of Certain Vinyl Floor Tile from Taiwan as articles eligible for duty-free treatment under The Generalized System of Preferences

Inv. No. : 332-148

Date and time: December 14, 1982 - 10:00 a.m., e.s.t.

Sessions will be held in connection with the investigation in the Hearing Room of the United States International Trade Commission, 701 E Street, N.W., in Washington.

Importers:

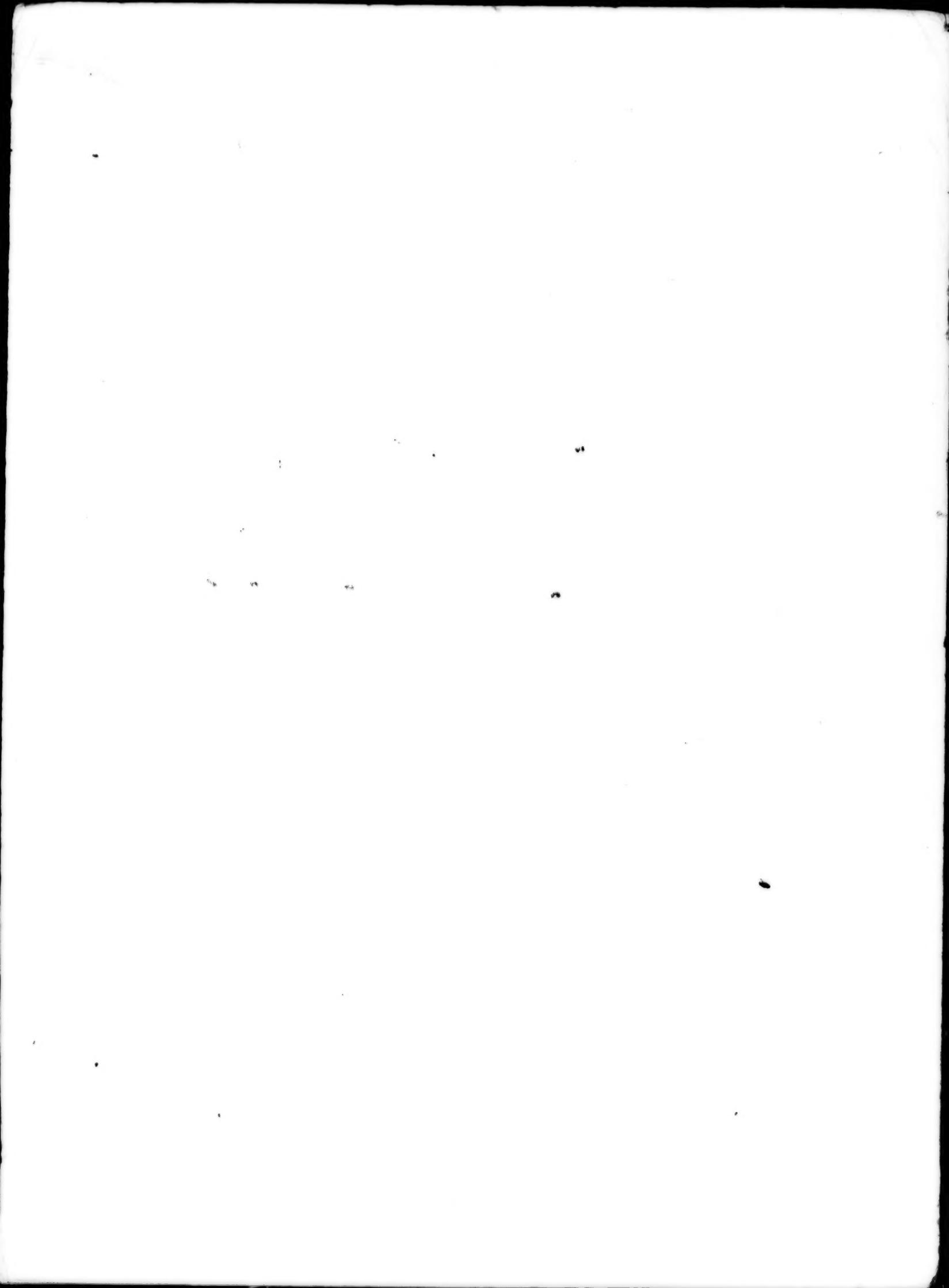
Top Tile, Ltd., USA Liaison Office, Harrison, N.Y.
and Top Tile Poughkeepsie Corporation, Latham, N.Y.

Norman L. Stone

Italo H. Ablondi, P.C.--Counsel
Washington, D.C.
on behalf of

The Board of Foreign Trade, Republic of China
(Taiwan) ("ROC") and the Vinyl Floor Tile
Committee of the ROC

Italo H. Ablondi)
F. David Foster)--OF COUNSEL



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